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SIPDIS

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SUBJECT: PARAGUAY: 2005 COUNTRY REPORT ON TERRORISM

¶11. In paras 2 and 5 respectively, please find Post's submissions on the Tri-border Area (Argentina, Paraguay and Brazil) and Paraguay for the 2005 Country Report on Terrorism.

The Tri-border Area (Argentina, Paraguay and Brazil)

¶12. The Triborder area (where Argentina, Paraguay, and Brazil converge) has long been characterized as a regional hub for Hezbollah and Hamas fundraising activities, arms and drugs smuggling, document and currency fraud, money laundering and the manufacture and movement of pirated goods. In the early 1990s, the three countries established a mechanism for addressing jointly illicit activities. In 2002, at their invitation, the United States joined them in a consultative mechanism (forming the "3 Plus 1" Group on Triborder Area Security) to strengthen the capabilities to fight cross-border crime and thwart money laundering and terrorist fundraising activities. Although there is no corroborated information that Hezbollah and Hamas have an operational presence in the area, the United States remains concerned that these groups raise funds among the sizable Muslim communities in the region, and that the high incidence of illicit activity could tempt terrorist groups to establish safe havens in the largely uncontrolled area. Persons suspected of having ties to terrorist groups have been spotted in the TBA, but no operational activities of terrorism have been detected.

¶13. As agreed during the December 2004, high-level meeting of the "3 1" Group, Paraguay hosted a meeting in October 2005 of representatives from Financial Intelligence Units (FIUs) and other experts from Argentina, Brazil, Paraguay, and the U.S. to address the challenges posed by the trans-border movement of bulk cash and the illicit use of charities. Delegations from the four countries conveyed keen interest in the U.S. program to create Trade and Transparency Units (TTU) in each country with a view to uncovering discrepancies in customs data that suggest potential illicit activity. They agreed to strengthen border controls, establish customs databases, share legislative standards, and appoint contact points on bulk cash movements.

¶14. Brazil hosted the "3 1" Group meeting in December 2005 in Brasilia. Delegates reaffirmed their commitment to fulfill obligations outlined in UNSCR 1373, including the denial of safehaven to terrorist or terrorist financiers and to prompt information exchange in order to deter illegal acts in the region. Additionally, the four countries reiterated the need to strengthen institutional ties among the public prosecutors in the Tri-border Area by organizing a meeting for public prosecutors in Brazil during the first half of ¶12006. Also, Brazil agreed to fully implement the Regional Intelligence Center in Foz do Iguacu by mid-2006, and to invite Argentina and Paraguay to send official representatives to staff the center. The delegations also agreed to continue implementing joint patrols of Itaipu Lake and adjacent waterways, as well as to continue work on integrated immigration and border controls. Argentina will host the next 3 1 Group Plenary in Buenos Aires in December ¶12006.

Paraguay

¶15. In 2005, Paraguay was an active participant in the "3 1" mechanism formed to combat cross-border crime, money laundering, and terrorist fundraising activities in the Tri-Border Area (where Argentina, Paraguay, and Brazil converge.) As agreed during the "3 1" high-level annual meeting held in December 2004, Paraguay hosted a meeting of representatives from Financial Intelligence Units (FIUs) and other experts from Argentina, Brazil, Paraguay, and the U.S. in October 2005. The meeting addressed the challenges posed by the trans-border movement of bulk cash and the illicit use of charities in the Tri-Border Area.

16. In 2005, Paraguayan authorities aggressively sought formal charges against suspects connected with the September 2004 kidnapping and subsequent murder of Cecilia Cubas, the daughter of former President Raul Cubas. Attorney General Oscar Latorre announced in May 2005 that members of the leftist Free Fatherland Party (Partido Patria Libre --PPL) had communicated via email with a member of the Revolutionary Armed Forces of Colombia (FARC) regarding the Cubas kidnapping and murder, offering evidence of the FARC's involvement. In October 2005, a Paraguayan judge indicted 25 individuals in the case, including several with connections to PPL. That same month, PPL faction leader Osmar Martinez repeated earlier admissions that he has amicable relations with the FARC.

17. There is no credible evidence of operational Islamic terrorist cells in Paraguay. Nonetheless, the United States remains concerned that groups such as Hizbollah and Hamas raise funds among the Muslim communities in the region and may be tempted to establish safe havens within the largely uncontrolled border area near Ciudad del Este, Paraguay.

18. Although Paraguay has cooperated in counterterrorism and law enforcement efforts, the country's judiciary remains severely hampered by a lack of strong anti-money laundering and counterterrorism legislation. Paraguay submitted new legislation to strengthen its anti-money laundering regime to Congress in 2004 with hopes of passage in 2005, however the bill has stalled in Congress. Paraguay has not yet introduced draft antiterrorism legislation to Congress. Both of these initiatives are key to Paraguay meeting its international counterterrorism obligations as set forth in UN Security Council Resolutions. In late 2004, Paraguay took steps to become a party to all 12 UN terrorism conventions and two OAS terrorism conventions.

19. Without effective money laundering and counterterrorism legislation, Paraguay is forced to prosecute suspected terrorist financiers on tax evasion charges or illegal financial activities. As such, Paraguayan authorities in 2005 filed tax evasion charges against Kessem Hijazi, suspected of laundering funds in support of Lebanese Hizbollah. Hijazi is currently waiting for a preliminary trial hearing to be scheduled. Officials in February 2005 announced the investigation of 113 businesses and 46 individuals suspected of money laundering in connection with the Hijazi case. Prosecutors have until February 2009 to bring the case to trial. Also in 2005, officials filed charges against suspected terrorist fundraiser Hatem Barakat for tax evasion and passport and document forgery. No trial date has been set. Hatem is the brother of known Hizbollah fundraiser Assad Ahmad Barakat, who is serving six and one half years in a Paraguayan prison on conviction for tax evasion. Separately, Paraguayan authorities are seeking the arrest of fugitive Hassan Ali Barakat (cousin of the Barakat brothers) who is wanted for conspiracy, piracy, and contempt of court. Paraguay's antiterrorism police the Secretariat for the Prevention of International Terrorism (SEPRINTE) provided support to these investigations.

JOHNSON